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U.S. Congress. House.

Railroad transportation shortage

Washington

1920

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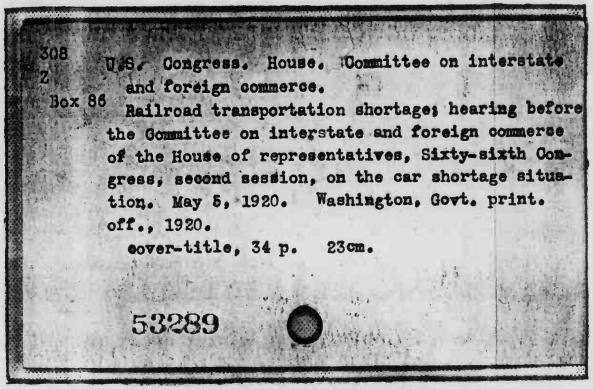

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RAILROAD TRANSPORTATION SHORTAGE

HEARING

BEFORE THE

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
OF THE HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
SECOND SESSION

ON

THE CAR SHORTAGE SITUATION

MAY 5, 1920

WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

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COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE.

HOUSE OF REPRESENTATIVES.

SIXTY-SIXTH CONGRESS.

JOHN J. ESCH, Wisconsin, *Chairman.*

EDWARD L. HAMILTON, Michigan.	THETUS W. SIMS, Tennessee.
SAMUEL E. WINSLOW, Massachusetts.	FRANK E. DOREMUS, Michigan.
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EVAN J. JONES, Pennsylvania.	

GEORGE ESCH, *Clerk.*
A. H. CLARK, *Assistant Clerk.*

CONTENTS.

Statement of—	Page.
Mr. J. W. Shorthill	6, 14
Mr. G. F. Ewe	7
Mr. R. E. Lawrence	15
Mr. Clyde M. Reed	16
Mr. A. Sykes	26
Mr. E. D. McDougall	32

RAILROAD TRANSPORTATION SHORTAGE.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Wednesday, May 5, 1920.

The committee assembled at 10.45 o'clock a. m., Hon. John J. Esch (chairman) presiding.

The CHAIRMAN. Gentlemen, several days ago I received a telegram from Mr. J. W. Shorthill, of Omaha, Nebr., asking whether or not it would be convenient for this committee to grant a hearing on May 4 or 5 on the general subject of car shortage. He was desirous of having representatives of bankers and live-stock men and grain dealers and others heard by the committee.

There is nothing pending before the committee in the form of a resolution or bill. The meeting, therefore, will be rather an informal discussion of the general subject matter.

Have you organized and have you representatives whom you desire to have heard, Mr. Shorthill?

Mr. SIMS. Mr. Chairman, before beginning the hearing—not that I have the slightest objection to it—I make the point of order that the committee has no jurisdiction to incur public expense by having hearings printed or having hearings when there is nothing before the committee calling for committee action. As I understand, the province of the committee is to act upon anything referred to it by the House; and a mere propaganda hearing, however important it might be, is something that I feel that the committee has no jurisdiction to undertake.

And without any opposition whatever to the effort to give relief, I make the point of order that the committee has no jurisdiction as a committee to give a formal hearing with no matter of legislation pending before it.

The CHAIRMAN. There are precedents for this proceeding. The point of order will be noted.

Mr. SWEET. I do not understand, Judge Sims, that you are opposing this hearing; are you?

Mr. SIMS. I say the subject matter is something of general interest to the country and to the Congress that will be very valuable; but I make the point of order, not specially against this matter, but because I feel that the committee has no right to give any hearing on a matter of legislation that is not before it by reference to it from the House or the Speaker.

The CHAIRMAN. I renew my request. Is there a representative here to present the matter, and has time been allotted to these gentlemen?

Please give your name and address and state whom you represent, and take the stand, please.

Mr. SIMS. Well, Mr. Chairman, do you formally overrule my point of order?

The CHAIRMAN. Yes.

Mr. SIMS. Well, you did not state that the Chair overrules my point of order.

The CHAIRMAN. Oh, I will put it down for you exactly as you want it. The point of order is overruled.

Now, will you proceed, Mr. Shorthill?

STATEMENT OF MR. J. W. SHORTHILL, OMAHA, NEBR., CHAIRMAN OF THE GENERAL CONFERENCE OF ORGANIZED FARMERS, MILLERS, BANKERS, GRAIN DEALERS, GRAIN EXCHANGES, AND LIVE STOCK EXCHANGES.

Mr. SHORTHILL. My name is J. W. Shorthill, Omaha, Nebr. I am chairman of the General Conference of Organized Farmers, Millers, Bankers, Grain Dealers, Grain Exchanges, and Live Stock Exchanges, Chambers of Commerce, and State Railway Commissions, which met at the Willard Hotel on the 3d of this month, to consider the general subject of car shortage, both as to the present situation and as to the need for the future.

The CHAIRMAN. How much time will you take, Mr. Shorthill?

Mr. SHORTHILL. Just sufficient time to state to you the general idea of our committee, and then we have some gentlemen who are directly in touch with the matter, who will be glad to speak.

The CHAIRMAN. Very well; you may proceed.

Mr. SHORTHILL. The general purpose of this conference was to urge action for the relief of present conditions; and we understand that Congress has nothing to do with that. The next thing with which we were interested was making provisions for the future.

The transportation shortage, both of motive power and of our freight car equipment, is tying up to a very great extent the business of the country. It is extensively tying up the financial facilities of the country; and it is creating unnecessary business expenses and causing the prices of commodities to be higher than necessary.

I only mention this to give you the idea which we have in mind and which we desire to press. The only things that we want to present to you are some of the urgent features of the situation, and to urge on you what we think is the pressing need for special attention to the transportation requirements of the country at the present time.

Now, we presume that you have practically the same nature of information that we have, because you have been engaged in extensive investigations. But we do desire to present to you the sentiment of this conference and some information that we have.

Now, we had a committee appointed to prepare and present this matter to you, and they have given more study to it than any other members of the conference, and they have delegated their chairman to make an opening statement on this matter, which he will do at this time.

I will ask Mr. Ewe, of Minneapolis, to make that statement.

The CHAIRMAN. Very well. Mr. Ewe, please give your full name and address and state whom you represent.

STATEMENT OF MR. G. F. EWE, REPRESENTING MINNEAPOLIS CHAMBER OF COMMERCE, MINNEAPOLIS, MINN.

Mr. EWE. My name is G. F. Ewe, representing the Minneapolis Chamber of Commerce, Minneapolis, Minn., and the grain trade of the Northwest.

Mr. Chairman, I think it is needless for me to call your attention to the condition of dire distress that is prevalent in the producing sections of the United States to-day because of the lack of facilities to transport the products of the soil.

As an illustration, we have in the country elevators in the territory tributory to Minneapolis and Duluth 30,000,000 bushels of grain, all of which would have been liquidated if transportation facilities had been furnished. We have also 17,000,000 bushels of grain in our terminal elevators in Minneapolis, 14,000,000 bushels of which has been sold, some of it since December and January, all awaiting transportation.

The Federal reserve bank in our district is loaned up to its apex. They have over $80,000,000 outstanding from correspondents, from out-of-town banks, at this time as compared with $2,000,000 a year ago. And we are faced with a financial situation in which, unless this whole crop is liquidated before the new crop begins to move, which will be only 30 days hence in the winter producing sections—and the harvest lines move 20 miles north every day—it will be only 30 days before we reach a situation in the spring-wheat section, where the financial world will not be able to extend the necessary credits to liquidate the crops for this year. Hence, the farmer will be unable to liquidate his product, and the consuming centers of the United States will be unable to supply their needs and requirements. Thus, as you gentlemen can readily appreciate, we desire to present the distressing conditions on both sides—the producer on one side and the consumer on the other.

Efforts have been made by the authorities to relieve this situation. I happened to be on a committee that had to do with this question for over six months, and in the last 60 days—since the railroads have gone back to the corporate ownership—pressure, we know, has been brought to bear upon the A. R. A.—Mr. Kendall's division—and the results have been practically nil.

Now, gentlemen, the situation has been so serious that it is almost impossible for me to relate to you the full extent of the seriousness of the situation. We, as intermediates between the producers and the consumers, are of no consequence, in comparison with the conditions of dire distress that exist, or will exist, on the part of both the producer and the consumer; and therefore we appeal to the authorities to see to it that the necessary orders are issued that the return or replacement of box-cars to the owners' lines, equal to 100 per cent of their ownership, be inaugurated at once; because unless that is done, the producing sections of the United States will be unable to function.

Mr. JONES. May I ask a question at this point? Is it your position that there are a sufficient amount of cars in existence to solve this problem?

Mr. EWE. No.

Mr. JONES. Where is this grain? Is it in elevators or in standing box-cars or in storage warehouses now?

Mr. EWE. It is in elevators.

Mr. JONES. Then, if the cars were returned to their respective owners, or their respective lines, 100 per cent of them in volume, it would not solve the problem, would it?

Mr. EWE. It would very materially aid in solving the problem. To answer your question more completely, the three principal grain-carrying railroads of the Northwest are the Northern Pacific, the Soo Line and the Great Northern. Those railroads have less than 80 per cent of their ownership of box-car equipment Some of the middle western lines have less than 65 per cent of box-car equipment.

Mr. JONES. What have your investigations shown you as to where these box-cars are and what they are being used for?

Mr. EWE. I have been unable to determine what they are being used for, because that is a transportation problem; but the condition remains that 70 per cent or less of the box cars of the three principal grain carriers of the Northwest would comprise a box-car equipment of at least 30,000 if those cars were returned, so that those originating grain-carrying lines would have 100 per cent of their equipment, and that, in addition to the box-car equipment that they have on their roads at the present time, would enable the grain-carrying roads to function to some extent, whereas to-day we are absolutely paralyzed.

Mr. JONES. What I was thinking of is, if there are not sufficient cars to answer all the requirements, whether that would not result in a serious handicap to some other essential line of industry?

Mr. EWE. Well, can you realize anything more essential to the welfare of the Nation than to afford facilities to liquidate the products of the soil and supply the necessities of life to the consuming centers of the East?

Mr. JONES. That would not argue to the point I was raising, as to whether there would be a remedy by the return of the cars, or whether the remedy would be in the construction of new equipment?

Mr. EWE. Yes, sir; that is for the future; but the immediate situation to which I am calling your attention at this time requires the return of box-cars to the agricultural producing sections of this country, in order to avoid a very serious agricultural condition. Now, if that is done immediately, then the grain producer can function.

Mr. RAYBURN. What do you mean by 100 per cent use on the railroads that own the cars?

Mr. EWE. I mean if the railroad company has 50,000 box cars of its ownership, they should have, if their necessities require it, 50,000 box cars on their system.

Mr. RAYBURN. How are you going to do that?

Mr. EWE. By an order from the Interstate Commerce Commission to return from the surplus lines to those lines that have a deficit a number of box cars sufficient to produce 100 per cent of the ownership of cars by that road.

Mr. RAYBURN. How are you going to do that? Are you going to send a car loaded with wheat to some port somewhere, and then regardless of the loads that may be there to be hauled to some other place, ship that car right back to the wheat-producing section, no matter whether it goes back empty or not?

Mr. EWE. Absolutely——

Mr. RAYBURN (interposing). Then, you would take those cars out of business half the time.

Mr. EWE. No; if we return that car light it will move back to the producing sections with a great deal more speed than it would if they attempt to put that car back on a load.

Mr. RAYBURN. I understand that. But it would be out of business just as long going back empty as it would in the first instance going back loaded, would it not?

Mr. EWE. Surely.

Mr. RAYBURN. It seems to me that your proposition is going to clog the general situation instead of helping it. Of course, it may help to move wheat; but I do not see how if you take the cars that handle wheat or the cars that handle foodstuffs out of business half the time you are going to relieve the car shortage.

Mr. EWE. We have met this same situation on previous occasions. In 1916, I remember when Commissioner McChord, of the Interstate Commerce Commission, had this situation in hand; and a condition of dire distress existed in New England because of the lack of live-stock products, when there was a surplus of them in the Middle West and the West, but there was a shortage of cars; and he ordered those cars back light to the producing sections, and automatically relieved the situation in that section of the country, and also relieved the situation arising from the lack of animal food in the East.

Mr. RAYBURN. Yes, but he did not do that as a general policy, but did it to meet an emergency.

Mr. EWE. That is exactly the situation to-day; there is not only an emergency, but a very dire distressing situation that has to be relieved.

Mr. RAYBURN. Well, the Interstate Commerce Commission has authority to do that?

Mr. EWE. Yes, sir.

Mr. RAYBURN. Well, why is not an appeal made to them?

Mr. EWE. Well; it will be. The only reason for our presenting this preliminary situation to you is to lay the foundation for the necessity of a further equipment to take care of our needs for the future.

The CHAIRMAN. The Interstate Commerce Commission has organized a car service section at this time, has it not?

Mr. EWE. I understand that it has; yes, sir.

The CHAIRMAN. I am advised—I do not know how true the statement is—that the Interstate Commerce Commission allowed the Railroad Association, through its proper officials, 60 days in which to make this readjustment.

Mr. EWE. Yes, sir.

The CHAIRMAN. And to make this return of cars to the originating lines; but the success of that operation has been comparatively small—rather discouraging.

Mr. EWE. Yes, sir.

The CHAIRMAN. But now the Interstate Commerce Commission can exercise the power granted under the transportation act and can order the return of cars to the owning lines.

Mr. EWE. Yes, sir; that is correct.

The CHAIRMAN. I suppose the thing is to bring the situation to their attention, so that they can act.

Mr. EWE. Yes, sir. In addition to that, Mr. Chairman, we want to lay stress upon the fact that it is necessary to look to the future, to see what our needs are, and as Representative Jones just stated, there is not sufficient box equipment or motive power equipment, to take care of the transportation demands for the future.

The CHAIRMAN. Yes; that is true; there is a four-year shortage.

Mr. EWE. Yes, sir.

Mr. SIMS. While this is not a war emergency that you have in mind, but you might say it is a peace-time emergency, is it not a sufficient emergency to call for exceptional treatment? In other words, the people who want bread can not get it, unless the wheat moves out of your elevators?

Mr. EWE. Yes, sir; that is exactly correct.

Mr. SIMS. In the next place, you have no place to put your new wheat, until this old wheat gets away from the elevators and warehouses?

Mr. EWE. That is correct.

Mr. SIMS. And that not only is a loss to those who produce the wheat, but it will increase the cost of the prime essentials of life?

Mr. EWE. Yes; absolutely.

Mr. SIMS. It will add further expense to the wheat that is being held by them in the way of accumulating interest, if it is carried by loans, or in the way of storage charges, if it is in storage. Therefore, fully sympathize with what you want to do; and I want to know how we can help about it.

Now, is there room at the exporting points, or at the points to which this wheat is destined—is there elevator room there or storage room in which it can be taken from the elevators at your points and placed in storage somewhere else where it will not discommode the local patrons of that particular locality where it is going?

Mr. EWE. To answer your question, there are ample facilities to release all grain-laden box cars to the destinations to which they are assigned, without the least delay from the detention of the equipment.

Mr. SIMS. Without the least detention of the equipment, that can be done, and it will give you great relief, and relief that you can not have in any other way?

Mr. EWE. Yes, sir. Two weeks ago Commissioner Clark asked us to ascertain the location of all the grain in the grain centers of the United States, and the destination, as to whether it was going to eastern ports, trunk lines, or whatever territory it was destined to; and the information that he asked for was furnished forthwith, and the positive assurance was given that the grain box cars would be released immediately upon arrival at their destination.

In addition to that, I can say to you that all of the grain that is at the interior points—I mean at the points of origin—will, if the equipment is furnished, be assigned to a destination that will release that car immediately upon its arrival. So that there need be no fear as to the immediate release of grain cars upon arrival at their destination.

Mr. SIMS. You do not need to inconvenience everybody, then, in order to relieve the situation of which you complain?

Mr. EWE. Absolutely not.

Mr. SIMS. And that being a seasonal situation, you can not control the seasons; as I understand, you must thrash the grain as soon as it is ready, and you can not do that unless you have these elevators ready for storing it?

Mr. EWE. That is right.

Mr. SIMS. It seems to me that it is a very great emergency, and it seems to me that if the Interstate Commerce Commission has power it ought to exercise it; if they have not the power, it seems to me that we might pass a resolution giving the relief that you need in short order. So I am in hearty sympathy with what you say, and all I want to do is to know how we can meet the situation here, which, it seems to me, has but one side to it.

Mr. JONES. Possibly you will withdraw your point of order.

Mr. SIMS. I made no point of order as to this matter.

The CHAIRMAN. I think Judge Sims will withdraw his point of order.

Mr. SIMS. I made no point of order, except that this committee had no power to do anything unless a matter was referred to it by the House: I said at the time that I was thoroughly in sympathy with the situation in which those people were placed.

Mr. EWE. The importance of providing facilities for liquidation of the producers' products, which will not only cover wheat, but also cover oats, rye, barley, and live stock is increased by the fact that it is necessary to liquidate these old farm products before the new crops come in, because of the inability of the financial centers to liquidate the new crops unless the old crop is liquidated before the new crop begins to move.

Mr. BARKLEY. How many weeks would you say it would require to carry out your program by the return of these cars to their own roads?

Mr. EWE. That would depend upon how promptly this relocation of equipment takes place. If the original carriers were assigned within a reasonable length of time, their 100 per cent of ownership, I should say that this grain in the hands of elevators can be liquidated within 30 days.

Mr. BARKLEY. In other words, if the cars were back in possession of their owners by the time the new grain begins to move, do you think 30 days would be sufficient?

Mr. EWE. Yes, sir. It might, however, by reason of the large quantity of grain remaining on the farm in some sections of the United States, require longer than that, depending entirely upon the service that we could get from the carriers.

Mr. BARKLEY. Now, aside from the temporary relief that you seek, what suggestion have you to offer as to the policy of this committee or of Congress with reference to the construction of new equipment in the future?

Mr. EWE. We feel, and it is the sense of our conference, that the appropriation of the $300,000,000 revolving fund is insufficient to provide the necessary equipment for the carriers to take care of the demands upon them by the public. We have not, of course, given the matter the same careful thought and consideration that you gentlemen have, but we think that twice that amount would not be an extravagant appropriation.

Mr. BARKLEY. You recommend, then, the doubling of the revolving fund to be loaned to the railroads for the purchase and construction of equipment?

Mr. EWE. Yes, sir.

Mr. BARKLEY. You do not recommend that the Government do the construction or pay for it out of the Treasury?

Mr. EWE. No, sir.

Mr. SIMS. Well, if the revolving fund is doubled, or if any addition is made to it, it would be open to the railroads everywhere for every purpose, would it not?

Mr. EWE. Yes, sir.

Mr. SIMS. And that would not relieve your situation. You want cars that are already constructed.

Mr. EWE. Yes, sir; immediately.

Mr. BARKLEY. Well, I did not understand that you were recommending any relief for the immediate situation by the increase of the revolving fund. They could not even build one car in time to relieve the immediate situation.

Mr. EWE. No, sir; you are entirely correct on that.

Mr. RAYBURN: I can not understand what you base your idea on that this $300,000,000 revolving fund will not be enough. It has not got into operation yet; that is part of a guaranty fund, and the railroads now are asking for an increase in rates that will net them more than a billion dollars. What do you think they are going to do with this if they get it?

Mr. EWE. Our idea is that the shortage of equipment is so great that the appropriation, even if it were appropriated in its entirety for box cars, would only take care of 25 per cent of the requirements. For instance, the $300,000,000 appropriation would buy less than 100,000 box cars at the present prices. And, if I understand the figures correctly, there is a shortage of 325,000 box cars alone; in addition to that there is a shortage of motive power. There is also a difficulty in getting loans and appropriating for this increased cost of construction at the present time. Therefore the suggestion was made——

Mr. RAYBURN (interposing). But do you imagine that it is going to be the policy of Congress to lend money to anybody—to corporations or individuals—as a policy?

Mr. EWE. No, sir. But here is an emergency condition that is so serious that unless some relief is conveyed to these carriers by an act of Congress, we feel that they are going to be unable to meet the situation.

Mr. RAYBURN. That is exactly what we thought; and that is why we appropriated $300,000,000. It was a thing that we did not want to do, but we thought we had to do it under the emergency; and we thought (or, at least, I did) that that was the limit. And it seems to me that you people—and I do not say this in the way of criticism—are rather premature in coming to Congress at this time and asking Congress to make another appropriation when the first appropriation has not been allocated; and when the Transportation Act that was passed here was certainly the most liberal to the railroad companies, and gave the Interstate Commerce Commission more authority to be liberal with them than it ever had in its history; and it does seem to me that it would be a good idea for us to wait a little while and see if it could not be done out of that, instead of coming here upon an emergency upon one proposition and saying that Congress should go further, not only toward instructing the Interstate Commerce Commission as to what it should do under the power it has already got, but appropriating new money, before we know how much the railroad companies will need, or as to whether or not the Interstate Commerce Commission, under the hearings, will grant them increases in rates that will take care of their needs, and other things that ought to be taken into consideration.

Mr. EWE. Of course, I am sure you appreciate the time that will elapse before this new equipment can be put into transportation.

Mr. RAYBURN. It will not help you in this situation?

Mr. EWE. Absolutely not. We must do the best we can out of the equipment available at the present time, and we are simply offering this suggestion as a thing to be considered to provide for the increased demand on the carriers to take care of the necessities of life in the future.

Mr. SWEET. What investigation have you made as to the amount of live stock, cattle, sheep, and other live stock, that are now in the Iowa Valley waiting to be transported to the market, or ready to be transported to the market, where there are not sufficient facilities to transport them?

Mr. EWE. I am not conversant with that question, but there are other gentlemen here who are and who will be very glad to answer that question.

Mr. JONES. Just one other question: Do I understand it to be your opinion that there are sufficient terminal facilities, or, rather, warehouses or elevators at the termini to take care of this grain as fast as it may be delivered there?

Mr. EWE. Yes, sir. This is old crop grain that I am talking about now.

Mr. JONES. Are you not fearful that if a larger supply of box cars is furnished, they will be used for warehouses, rather than for transportation?

Mr. EWE. Not so far as the products of the soil are concerned.

Mr. JONES. And you do not believe there is any necessity for the building of additional terminals and elevators at the terminals of these trunk lines?

Mr. EWE. At the seaboard?

Mr. JONES. Yes.

Mr. EWE. That is a detabable question.

Mr. JONES. The reason I am asking you the question is that some time ago we had a hearing before this committee at which the solution of this problem was stated by some gentlemen to be the construction of additional warehouses at the seaboard and at the end of the trunk line.

The CHAIRMAN. I think that was advocated by members of the warehouse commission of the State of Minnesota.

Mr. JONES. Yes.

Mr. EWE. Yes, sir; that is advocated by the warehouse commission of our State; and it is opposed by millers in the milling centers, on the ground that this wheat should be, so far as possible, converted into flour, so that the by-products of that wheat could be converted into animal feed here at home, and not increase the liquidation of wheat in its natural form, but to increase the facilities for the dockage of the mill products.

Mr. JONES. Well, they said that there should be an increase of storage warehouses, as there has been considerable congestion in them.

Mr. EWE. Well, there has been congestion at the Atlantic seaboard in unloading the grain from the cars and putting it aboard ship.

Mr. SIMS. There was another suggestion made along that line that I thought was worthy of consideration, to the effect that it would be a great benefit to the wheat to have it reelevated before it goes on the ship, in order to allow it to dry out and get the moisture out of it. And I thought that was an additional argument for having those additional elevators at the ports.

Mr. EWE. Merchantable wheat does not contain moisture to an extent that makes it a factor.

Mr. SIMS. But when it comes to converting box cars, that are intended to move products, into storage warehouses—and some of the testimony was to the effect that they used the box cars for that purpose for 60 or 90 days—it would require two or three times as many cars to do the same amount of transportation as it would if they were all used for transportation purposes.

Mr. EWE. Yes; that is correct.

Mr. SIMS. And I thought that the representatives from your State made a very strong statement of the case.

Mr. EWE. Yes, sir.

The CHAIRMAN. Have you anything further that you want to present?

Mr. EWE. No, sir.

ADDITIONAL STATEMENT OF MR. J. W. SHORTHILL, OMAHA, NEBR.

Mr. SHORTHILL. As I stated before, Mr. Chairman, the purpose that we have is impressing upon your committee the urgency of the need that now exists. We are conservatively advised that unless something is done quickly, and in an aggressive sort of way, conditions threaten to be worse next year than they are now.

At the present time there are in store in the public elevators of Kansas City over 11,000,000 bushels of wheat, which would take practically 9,000 cars to move; and at the present rate they are getting cars it will take 70 days to move that grain out, without a single bushel having been received in those 70 days.

In Kansas City territory, which includes the city of Kansas City and the States of Kansas and Oklahoma, there are grain products now awaiting movement that will tie up $147,000,000.

Now, that elevator capacity, that capacity on the farm, and that money ought to be released to handle the new crop, which is very near harvest time, in transit.

Such evidence as we are offering here now we offer as bearing directly on that situation, and ask you to bear in mind that if the situation threatens to be worse next year than it is now it should be given very careful study and some legislative action taken.

I would like to have you hear just a few words concretely from Mr. R. E. Lawrence, who is the secretary of the Farmers' Grain Association of Kansas—and this comes directly from that section of the country.

STATEMENT OF MR. R. E. LAWRENCE, SECRETARY OF THE FARMERS COOPERATIVE GRAIN DEALERS' ASSOCIATION OF KANSAS, HUTCHINSON, KANS.

Mr. LAWRENCE. Mr. Chairman and gentlemen, I have here some very specific statistics from Kansas, and the condition out there is probably equally as bad as it is in the other States farther northwest.

I have accumulated statistics covering the condition from 94 companies in Kansas. We have a good many more companies than that, but the statistics came in on short notice.

I have here a report on 13 companies operating over a period of 10 years. In 1910 these companies used 2,600 cars. In 1911 they used 2,084; in 1912, with a lighter crop, they used 1,763 cars; in 1913 they used 1,499; in 1914 the used 3,133; in 1915 they used 2,566; and so on down during the period of years until 1919, when they were only awarded 958 cars.

We have reports from a good many elevator companies in Kansas; one in particular that I think of now, that reported to me less than a week ago, stating that they had 400,000 bushels of wheat in their immediate territory awaiting shipment before the new crop came in; and you can readily appreciate that that is a very distressing condition. And the banks are crowding these farmers for funds to meet their notes.

Mr. SHORTHILL. Mr. Lawrence, you know how they have been receiving cars at that point, do you not?

Mr. LAWRENCE. They have been receiving cars at the rate of about five cars per month. You can readily figure on how long it would take to move 400,000 bushels of wheat if they are receiving cars at that rate.

Mr. SIMS. How has it been since the 1st of March with regard to the receipt of cars?

Mr. LAWRENCE. It has been slightly more than it was in the previous months, but not very much.

Mr. SIMS. What do you mean by that—10 cars, or how many?

Mr. LAWRENCE. Well, I would say the companies that received five cars in March received one or two in January.

Mr. SIMS. I was trying to find out how many cars have been received since the new law went into effect?

Mr. LAWRENCE. Yes, sir. The total number of cars received by the 94 companies reported here in the calendar year of 1919 was 7,391; the estimated needs for 1920 are 12,396. The 13 companies through the period of 10 years used 19,367 cars. I believe we would be very conservative in saying that 25 per cent of the wheat in Kansas remains yet from the 1919 crop awaiting removal. I am speaking principally for the farmers' cooperative elevator interests. The livestock interests also, I believe, are having great difficulty in getting sufficient equipment to move their crop.

The CHAIRMAN. Are there any questions? If not, we will call the next witness.

STATEMENT OF MR. CLYDE M. REED, MEMBER OF THE COURT OF INDUSTRIAL RELATIONS OF KANSAS, TOPEKA, KANS.

Mr. TINCHER. Mr. Chairman, permit me to say that Mr. Reed is a member of our industrial court in Kansas, and I think he speaks for the whole State of Kansas on this proposition.

The CHAIRMAN. We are glad to hear Mr. Reed.

Mr. REED. Mr. Chairman, I am bringing to this committee information as to the condition of the car supply as it affects the State of Kansas, both from the standpoint of immediate relief for the conditions which prevail and for the information of the committee in legislative matters which may arise.

We start out, naturally, with the grain products of the State. And at this time of the year there is, under normal conditions, a certain percentage of the crop of the former year on hand.

On our last crop report, based on the conditions existing on the 17th of April, the excess of grain of all kinds on hand in Kansas over a normal condition amount to 28,524,000 bushels, distributed as follows—and if the committee will permit, I will be glad to read these figures into the record, both as regards the normal amount of grain and the present amount.

There are on hand this year 21,934,000 bushels of wheat, as against a normal average of approximately 5,000,000 bushels.

Mr. JONES. I would like to ask you what you mean by the "normal average"?

Mr. REED. Kansas is a winter-wheat State, where the crop is commenced to be cut in the latter part of June and the first days of July; the harvesting is concluded usually in July. Thrashing commences and the crop begins to go to the primary markets the first part of July, and it usually moves out very heavily in the next three or four months. So that, under normal conditions, we would have, say, 6 per cent of the crop left on hand by the middle of April of the year following.

Mr. JONES. When you say "6 per cent of the crop" you mean of the average supply?

Mr. REED. Yes, sir. The present abnormal condition in Kansas is, I should say, wholly due to the shortage of cars. We have on hand 2,827,000 bushels of barley, as against a normal supply at this time of 560,000 bushels. Of the sorghum crops—and under that head we include Kaffir corn—we have on hand 5,270,000 bushels, as against a normal supply of 1,800,000 bushels.

With regard to corn—and Kansas, I ask the committee to bear in mind, is not a great corn State—but of corn we have 10,797,000 bushels, as against a normal supply of 5,350,000.

In only one crop has the movement been anything like normal. That is in oats. We have on hand 5,136,000 bushels of oats, as against a normal supply of about 5,000,000 bushels.

The figures which I have read into the record applied to the amount of grain on the farms and in country elevators, and have no relation to the amount of wheat or other grains in terminal elevators, nor belonging to mills.

The CHAIRMAN. Is this abnormal supply of grain on hand in any degree due to the abnormal crop last year?

Mr. RDED. The crop of wheat raised in Kansas last year was the second largest that the State has ever raised. A 10-year average of crop in Kansas would be, perhaps, in the neighborhood of 90,000,000 bushels. I am giving you approximate figures, Mr. Chairman—offhand. The largest crop that we ever raised was in 1914, when we had 180,000,000 bushels. The crop last year was the second largest crop. But the production of wheat through the Western section, Mr. Chairman, was not much more than normal, counting the deficiency in Minnesota and North and South Dakota, as against the increase in Nebraska, Kansas, and Oklahoma.

In 1918, as I recall the figures, Minnesota and North and South Dakota raised 242,000,000 bushels of wheat; in 1919, they raised 117,000,000 bushels; in 1918 Kansas raised, approximately 98,000,000 bushels; in 1919, the yield in Kansas was approximately 158,000,000 bushels; there is some variation between the figures furnished by the United States Department of Agriculture and those furnished by our State Agricultural Department.

The CHAIRMAN. So that as to wheat, the large amount on hand now might be due to that large excess crop of last year?

Mr. REED. There has been demand for the wheat, Mr. Chairman, all the time; we would have been very glad to move the wheat. We have had a larger movement than usual, but not a movement in proportion to the increase in production.

And, again, I submit that if the middle and northwestern wheat-producing States were taken together there is not a great excess of wheat in those wheat States—if you balance the excess in Kansas as against the deficiency in other States.

Notwithstanding the fact that the 1919 wheat crop in Kansas, Nebraska, and other States in the Central West showed an increase of more than 50 per cent over the crop of 1918, the loading of grain and grain products in the central western railroad region for August, September, October, November, and December, 1919, showed an increase of only 16 per cent over 1918. The 1919 wheat crop in Minnesota and North and South Dakota was about 46 per cent of the 1918 crop, and during the same five months the 1919 loadings of grain and grain products in the northwestern railroad region decreased 14 per cent over 1918.

So that at the present time, in the State of Kansas alone, and without reference to any other State, there are 28,524 carloads of grain on the farms and in country elevators which they have been unable to move.

Mr. SIMS. May I interrupt you with a question there?

Mr. REED. Certainly.

Mr. SIMS. What is the present price of wheat in Kansas?

Mr. REED. Well, the present price of wheat in Kansas, of course, is based on the market price—that is, at Kansas City—less the freight and 8 cents for handling.

Mr. SIMS. About what is it selling for now?

Mr. REED. I could not give the figure offhand. I am not familiar with that.

Mr. SIMS. I do not mean the exact amount to a cent.

Mr. L. E. MOSES. The average price paid in Kansas City was $2.65.

Mr. SIMS. I would like to ask another question: If this wheat is there now and the wheat is not moved until the new wheat comes in,

will there not be the possibility of loss upon the present price of wheat when you have both the present wheat and the new wheat competing for a market at the same time?

Mr. REED. If the present conditions prevail into the new crop season, it will mean financial disaster for the farmer and the grain man and the banker and the business interests of our State.

Mr. SIMS. In other words, they can readily market the wheat now for a price they can not market it for when the new crop is also added to the existing supply?

Mr. REED. They are subject to that risk; yes, sir.

Mr. SIMS. Well, is it not highly probable that that will be the case?

Mr. REED. Much depends upon the outcome of the wheat crop this year; but if there is a normal wheat crop this year, that old crop which is held over is subject to that hazard of being sold in competition with the new crop.

Mr. SIMS. And at much less than it could be sold for now?

Mr. REED. Yes, sir; at much less than it brings now.

I want to put into the record a few facts with regard to the bank conditions, due to our inability to move our wheat. We have in Kansas somewhere in the neighborhood of 1,000 State banks, many of which are located in the wheat belt. It has been necessary for those banks to finance the wheat movement. A Kansas farmer, or any other farmer, has no credit except with his local bank; when he has exhausted the financial capacity of the local bank that bank must sell that paper, with recourse, to the larger reserve cities. Last Thursday I asked the State bank commissioner to give me a table illustrative of conditions in the wheat belt, and he made up for me a table as to 37 State banks, which the committee may consider as typical of conditions in that section.

In Kansas, under the State banking law, a bank is allowed to rediscount paper subject to recourse to the amount of 50 per cent of its capital and surplus. And these 37 banks—and I assure the committee that this is a typical condition—have a combined capital and surplus of $3,490,120. That would give them a rediscounting capacity, with recourse, of $1,745,065. Those banks have actually discounted paper for the purpose of handling this wheat crop, starting with last August, to the amount of $4,281,000, three times in excess of their legal limit; and a strict adherence to the banking laws of the State would, of course, have forced these banks to liquidate, which would have meant absolute disaster to the farming communities affected, because it requires, I think, no explanation to convince the committee that there is but one way to move your wheat crop, in a financial sense, and that is through your local bank.

There is in this list one bank with a borrowing capacity of $19,750. That happens to be located in a section where, following two almost complete wheat-crop failures, they had a good crop in 1919, and that bank with a borrowing capacity of $19,750 has rediscounted paper to the amount of $378,000, which, of course, is beyond the intent of the law. Those conditions mean but one thing, and that is disaster, unless those conditions can be remedied.

And at this point I may offer a few words of explanation as to the movement of cars which the gentleman from Pennsylvania was interested in and asked some very intelligent questions about: I have

discussed, perhaps more than any other member of this conference, the car situation as it relates to the possibility of present relief, and I have before me the statement of the car ownership of the various lines in the various regions of the United States, as well as the proportion of that number of cars which they have now on their lines.

And I want to acquit here the Railroad Administration of complete responsibility for this condition. They have had to deal with a labor situation entirely beyond their control, and they have given assurance, so far as Kansas is concerned, and I think that that applies to the whole section, that they will relieve that situation at the very earliest possible date, subject, of course, to their ability to do so. Due to the snowstorm in March and the strike, there are tied up on the two principal New England railroads 14,000 or 15,000 empty cars, on which those railroads are paying per diem charges that they would be very glad to get rid of if they could. Due to the conditions at the terminals, they have been unable to move those cars; but we are assured that they will move West just as soon as those conditions can be relieved, which I have information from the car commission of the American Railway Association will probably be next week, if the improvement in the terminals continues for the next few days as it has been going on in the past few days.

Mr. COOPER. May I ask you one question? Is the switchmen's strike still in force in the Kansas City terminal?

Mr. REED. The switchmen's strike still affects the general situation in the country. The conditions at Kansas City were about 70 or 75 per cent normal on the last information that I had from that point. This was in the Kansas City, Mo., terminal.

The shortage of cars as it relates to the industries of Kansas is not confined alone to the grain; and if I may speak for a few moments longer, I want to give you a few more figures that will illustrate our general situation—and it will not take more than a few minutes:

Hutchinson, Kans., is one of the great salt-producing regions of the country; and, of course, salt is a necessity. There are four principal companies at that point. Without reading the names of the companies into the record, I would say that the figures furnished me show that since July 1 of last year the companies have respectively requested and received cars as follows: The first company has requested 7,020 cars for the shipment of their product; they have received 2,701 cars; the next company has requested 7,508 cars, and has received 3,601 cars; the third company has requested 5,490 cars, and has received 2,680 cars; the fourth company has requested 4,447 cars, and has received 2,850 cars. I did not total that up, but that will show how the shortage of box cars has affected the salt industry.

Mr. JONES. May I ask you a question at this point: Do you know from your own knowledge whether these companies actually need that many cars, or are they, like a good many other producers and manufacturers, asking for more than they actually need, hoping that they will get what they do need?

Mr. REED. The salt companies and the cement companies and the brick companies of Kansas—and those are our principal industries, except the making of flour—have a certain capacity of plant per day.

And if the production of salt, or of cement, or of flour, on a certain capacity fills their storage warehouses, unless they can receive cars in proportion to that capacity, the production will cease when those warehouses are choked. These figures are based, not on the potential producing capacity of these plants, but on the actual producing capacity as they would be operated normally, and as they have orders for their products to fill.

Mr. JONES. Your answer to my question, then, is that in Kansas they are not asking for more cars than they actually need?

Mr. REED. No, sir; they are not; I think that they have asked for the cars that they actually needed; that is my judgment.

I have here a statement from nine representative mills and elevators in the interior of Kansas, at Hutchinson, at Wichita, and at Salina; and upon their requirements from August 1, last, those nine mills and elevators are actually short 7,325 cars of their requirements. Both the elevators and the mills are now choked with wheat and with flour; some of the mills have closed. There are some mills in Kansas that have not been able to run as much as or more than 50 per cent of the time.

There is not a mill of any size in Kansas that I know of that, for eight months, has been able to run continuously, because we have been unable to ship our flour. The milling capacity of Kansas potentially is 93,000 barrels of flour a day. I have discussed this matter at a meeting in Chicago in October last, and at two meetings that we have had at Topeka with the railroads directly affected. We have gone into this question very thoroughly; and so far as our railroads are concerned, it is my belief that they have done the very best they could with the equipment that was available.

We are not giving the Interstate Commerce Committee of the House of Representatives advice as to legislative matters. I am offering this information, which is authentic, for the enlightenment of the committee.

We have another situation in Kansas which is confronting us. We have a hard road building program on in the State. We have under contract now 455 miles of hard road, cement and brick, and in a few cases, gravel. To build those roads will require a movement of 14,575,301 tons of material, which, on the basis of 40 tons to the car on the average, will require 14,300 cars of the gondola type to move the material. Those cars are not in prospect, as far as we can see. The highway commission just before I left gave me a memorandum of the location of the roads, the amount that would be required to be moved by railroad, coupled with the statement, which confirms my own knowledge and experience, that for months past it has been impossible for Kansas to get anything like the number of cars necessary to handle its business in almost every line of industry, whether it was road material, or stone, or cement, or flour, or grain, or live stock, or what not.

Mr. COOPER. May I ask you this question? What is true of Kansas is true of other sections of the country, is it not?

Mr. REED. In Kansas we feel that we have a particularly acute situation.

Mr. COOPER. For instance, I represent a great manufacturing district, an iron and steel district, and we have millions and millions of steel products lying in our warehouses—that is, sheet iron, steel, and tin—that can not be moved, lying there, and the manufacturers have got all of that money tied up, and they can not receive any box cars for their products. Now, then, what is the remedy? What do you suggest? I am in full sympathy with your congestion in Kansas, but have we enough cars in the country to move these products? What is the remedy for the situation? What can we do?

Mr. REED. Increase our efficiency on the railroads; increase the facilities of the railroads for handling the business and give them such facilities as may be necessary. It is a very complex problem, upon which no man is entitled to offer an offhand solution.

Mr. COOPER. Do you believe that the railroad companies to-day are in a position to meet this situation? Of course, the railroad companies have some sympathizers; but you know the American people seem to have such a club out for the railroads to-day, I am sorry to say, a great many of them; instead of trying to encourage our transportation systems, they seem to want to club them and hinder them, and I believe that the situation is serious and that the American people ought to see it that way and to try to help in every way in their power to relieve this transportation situation that is so serious in our country to-day.

Mr. REED. It is a very great problem, and I might say that the people of the country, so far as our section goes, have a feeling of satisfaction with the effort that has been made by the committees of Congress and by both Houses of Congress in approaching the question. They realize that it is a very hard question, and it has been approached with a great deal of judgment, discretion, intelligence, and industry; and they are hoping that out of all of that is going to come a reasonable solution.

And I will close, Mr. Chairman, if I may, by reading into the record the facts that, covering grain and flour and hay and salt and cement and road materials, Kansas has suffered in the last eight months, a deficiency in its loading, covering these various things, equivalent to 68,607 cars; that is what we are short; that is what we should have moved in addition to what has been moved to bring us to a normal condition, based upon the volume of traffic to be moved.

Mr. COOPER. May I ask you this question: Can you give us a rough estimate of how much money is tied up in grain that is in Kansas elevators to-day that really ought to be moved and put upon the market?

Mr. REED. The grain in the Kansas elevators and the mills, the grain still remaining in Kansas, must approximate in value one hundred and forty or one hundred and fifty million dollars. I am not a banker, and, again, that is an approximation.

Mr. COOPER. Well, of course, that is a matter of great importance to the people of Kansas.

Mr. REED. Yes; of very great importance indeed.

Mr. SIMS. May I ask you, is there not another matter that we have not yet heard discussed? The railroad companies made application for an increase of rates over existing rates of about 25 per cent, as I understand it. Now, if this wheat that is now on the railroad points ready to move is moved before the increased rates go into effect, you will save that much loss; but so far as any of it may remain over and be moved after the increase of rates goes into effect, that will be an absolute loss to the people who own this wheat. Is that not true?

Mr. REED. That is correct. I might say, further, that Kansas raises and ships approximately 6,000 carloads of hay in the year. Ordinarily at this time of the year our hay from the previous year has all moved; we ought not to have on the 1st of May more than 5 per cent of the hay crop on hand. According to the best information we can obtain, we have from 40 to 55 per cent of our last year's hay crop unmoved and still in the hands of the farmers or the local dealers and financed by the local banks; and while that is not such a large crop, either in money or in volume, as some of the grain crops, the banks in the hay section are in exactly the same shape as the banks in the wheat section; and we are actually faced with threatened financial disaster that will involve the whole State unless relief may be given us in the way of cars and facilities for the movement of crops or the products of crops.

Mr. STINESS. May I ask you a question? You say that these banks in Kansas are very much overloaned?

Mr. REED. Yes, sir.

Mr. STINESS. Their loans are made to the farmers, are they?

Mr. REED. Yes, sir.

Mr. STINESS. When does the farmer apply for the loan—before the planting?

Mr. REED. In the western half of Kansas we had a wheat crop failure in 1917 and 1918; and by a "failure" I mean a very small yield; in many cases it was a total failure; the farmers in the western half of the State, in many cases, had to be staked with their seed wheat. The National Government helped and the State government helped, and the banks helped, and some individuals helped. Now, a farmer who has had a couple of failures has to borrow all the money needed to move his crop. Therefore, assuming that he can plow his land himself, which he may or may not be able to do, when he gets his seed wheat he has to borrow money from the bank; again, when he goes to cut his wheat he must borrow money from the bank, and when his thrashing comes on he must borrow money from the bank. So that his money is all invested before his wheat is ready for the market; and in this case, in half of our State, most of the farmers had to get the banks to finance the entire movement of their crop, from the planting of the crop on until it was thrashed and ready for the market.

Labor last year was very scarce and very high in the wheat belt of Kansas. You must harvest your crop within 10 days from the time that your field is ripe or it begins to deteriorate, as you gentlemen probably know, and there is a great loss; in other words, when a wheat crop is ready to be cut it has to be cut, and labor runs as high as $1 an hour, including board, in the wheat belt. The thrashing charges, which a few years ago under normal conditions were 7 or 8 cents a bushel, have gone as high as 35 cents a bushel. And so the amount of money invested in this wheat crop, from the farmer's point of view, is very large; it has exhausted his own resources; it has strained the resources of the financial institutions of this part of the State to move it; and unless relief can be brought about tragedy is going to face those folks. Not only have they everything that they own at stake but everything that they can borrow.

Mr. STINESS. When does the farmer get his pay for his wheat?

Mr. REED. When he sells it.

Mr. STINESS. On the farm or at an elevator?

Mr. REED. At an elevator; and he can sell it as rapidly as the elevator can move it, which is based entirely on the——

Mr. STINESS (interposing). Then, if the farmer has his wheat in storage and does not send it to an elevator, he has nothing to pay his notes with?

Mr. REED. He has nothing to pay his notes with.

Mr. STINESS. And if he plants another crop next year he must go through the same process?

Mr. REED. Exactly.

Mr. STINESS. And if the banks have loaned him to the full extent of his credit, based upon his crop, etc., it is probable that he will not get another loan for the next year, and does that not mean that there will be a complete failure of his crop for the next year?

Mr. REED. That is very likely.

Mr. STINESS. And that would mean less production of wheat and a serious shortage of food in the country next year?

Mr. REED. Yes, sir; that is correct.

Mr. COOPER. Have you any information as to whether or not during Government control of the railroads the requirement for new box cars and grain cars was met as it had been under normal conditions?

Mr. REED. I have not, sir.

Mr. BARKLEY. What is the prospect for labor this year? Is it better than last year?

Mr. REED. We have been trying to organize ourselves better; what results we will have I do not know. Of course, as you know, the United States Employment Service went to pieces at the beginning of our crop season last year. We were depending upon it. This year we are organizing in Kansas our own State employment service, but it is only in process of organization and we can only hope that it will bring about the result that it ought to bring about.

Mr. BARKLEY. Well, if Congress adjourns and you still pay $1 an hour to your labor, I want to make an engagement with you. [Laughter.]

Mr. REED. I would be delighted to do so.

Mr. STINESS. Has your conference agreed upon any plan that you think would remedy the situation to which you refer?

Mr. REED. Well, I was unfortunate, so far as I am personally concerned, in not getting in touch with the conference as early as might have been the case. They discussed these matters at their hearing on Monday when I was not present.

There are two phases of the question: One is immediate relief, which, of course, must be provided with the means that are now available. And I, perhaps, have given more consideration to that phase of the question with the Interstate Commerce Commission and with the car commission of the American Railway Association, because our situation is so acute that every effort that we can make for relief we must make it.

But whether that is successful or not, or however successful it may be, we are faced with the fact that unless the facilities of the railroads are increased or their efficiency based upon performance improved—which means the number of miles per day average that a box car moves in the course of 365 days——

Mr. STINESS (interposing). You have taken this matter up with the Interstate Commerce Commission, have you?

Mr. REED. I have discussed it; yes, sir.

Mr. STINESS. And you have told them of your desire to have the box cars returned to the places where they can be loaded? What did they say in regard to that? Did they say that it was feasible or not?

Mr. REED. Well, perhaps I have discussed this question a little more vigorously on behalf of Kansas than the representatives of some of the other States. We had correspondence by mail and telegraph with the Director of Railroads last year, and he called a conference to meet at Chicago on the 16th of October last. I am addressing myself now to the question of the steps that we have taken from our standpoint to relieve the situation.

Mr. STINESS. Well, I mean the immediate situation. What did they say as to the immediate situation?

Mr. REED. Well, it will take me only a few minutes to explain this. At that conference, on October 16 of last year, the regional directors and the Director General of Railroads and the members of his staff were present; and we discussed the situation very much as I presented it this morning, except that we took all day to do it. We were promised immediate relief, which started to materialize in the latter days of October. The coal strike came along, and, of course, for the next six weeks there was no movement of any consequence on the railroads, except of perishable products which had to be immediately moved. The strike ended on the 19th, and the matter was immediately reopened with the Railroad Administration, and again an effort was made to relieve the situation, and they started to take the steps necessary to do so. Then, of course——

Mr. STINESS (interposing). Do you mean by that that they sent cars to you?

Mr. REED. They started the movement of cars, as they had promised, to move the grain. Then unexampled weather conditions came up, particularly down East, in the way of snowstorms—it was out of those snowstorms that the present excess of box-car equipment in that section largely came; not entirely, but largely. The cars were moved to the East, and all of the terminals adjacent to New England were congested. The moment that they got into shape where they could move a car, thousands of cars of foodstuffs and grain and various other necessaries were dumped into New England and unloaded. Before those empty cars could be moved out of New England the terminal switchmen's strike came on, which again tied them up. I may say that they have been working under very great difficulties much of the time. I am quite familiar with railroad operation, and I appreciate some of the difficulties under which they labor. We are not here in any spirit of criticism; we are here to give this committee all the information which we have which may be useful and helpful to the committee in dealing with the whole situation.

Now, Mr. Stiness, directly answering your question as to the steps which we have taken in Kansas in dealing with this situation. I have again discussed the matter in very great detail with the car commission, which is dealing with the distribution of the cars, and again it has promised relief, not only for Kansas, but for all of the Western States, which I believe they will give—enough, at least, to perhaps temporarily relieve some of this distress anyhow; not completely, but in part—if conditions return to normal. We have

a period of 60 days before any of the new crop comes in. If the weather is good, and there are no more terminal strikes, or things of that kind, the chances are that they will be able to move the empty cars from where they now are into the sections where they need them.

But the fact remains that the facilities of the railroad companies under present conditions, are inadequate; under pressure of the crop season, starting from the middle of July, we will say, and on through the fall, the facilities are wholly inadequate; that is my judgment and belief.

Mr. SIMS. Do you not think it is more important, however, if possible, to get the Interstate Commerce Commission to make an order, if they can do so, that will give the relief that is now immediately necessary, rather than to try to pass legislation concerning grain and cement and sand and steel—and everything of that kind? We would not have time enough to legislate, if you are going to get the present situation relieved.

Mr. REED. The present situation must be met with the facilities that now exist.

Mr. SIMS. Yes; that is what I say.

Mr. REED. And upon that point, I am not in entire agreement with my friends in the conference, upon the question of the 100 per cent ownership of cars by the roads. I believe the better plan would be the one which has been followed, of pooling the equipment of the various railroads, so that equipment may be moved from section to section.

The CHAIRMAN. Well, they have that right now, under the transportation act.

Mr. REED. Yes, sir. I mention that because the question was raised of the desire that each road have 100 per cent of its equipment. In the West, and in the Northwest, roads are short; they are very short, and they ought to have more than 100 per cent of their equipment right now, to relieve the congestion; but at some other time of the year they might not need 100 per cent.

In my judgment, the proper basis upon which to handle equipment is to base it on the volume of traffic to be moved, so that all sections of the country could be dealt with impartially and alike; and because of the conditions which we have outlined, the Northwest and the Central West and the Southwest have felt a shortage which would be alleviated if the railroads in that section could be given more cars, which would bring them up to 100 per cent, or perhaps 110 or 115 per cent. At present, the northwestern section, to which Mr. Ewe referred, has 83 per cent of the box cars, which the roads in that section own.

In the central western section we are in a little better shape; but we have more traffic to move. Our railroads have 92.5 per cent of the cars which they own—not necessarily their own cars, but I take it, that this committee is thoroughly familiar with that term. The New England roads, on the other hand, have 135.1 per cent of the box cars which they own, due to the conditions that I have described. Now, that excess of 35 or 40 per cent in New England means 15,000 or 20,000 cars, of which 14,000 are on the two railroads; and I have the assurance of the car commission that the cars will be moved West as soon as the conditions permit.

Mr. COOPER. Do you think that the switchmen's strike affects this situation?

Mr. REED. Yes, sir; very seriously.

Mr. COOPER. I remember driving through one of the biggest terminal yards of the Pennsylvania lines recently. I think it is 5 miles long; and I drove the whole length of the yard; and although there were tens of thousands of cars on the tracks, there was not a wheel turning. Now, it seems to me that that would seriously affect your situation in Kansas.

Mr. REED. Any condition which retards the free movement of traffic will affect the situation in the entire country. It will reduce efficiency. I think that the daily average haul of a box car ought to be 25 miles—the chairman will correct me as to that if I am wrong.

The CHAIRMAN. Twenty-four is the average.

Mr. COOPER. There is a great deal of your grain that goes to Buffalo, is there not?

Mr. REED. No. The terminal elevators, outside of our own mills, are in Kansas City. Some of it goes directly to Minneapolis; we ship a great deal of grain out of Kansas directly to Minneapolis for the use of the mills there; they use our wheat to mix with their own Northwestern wheat. And then there are some elevators which ship to Galveston, Duluth, Buffalo, and other places.

Mr. COOPER. And, of course, the switchmen's strike at Buffalo would affect you?

Mr. REED. Yes, sir. Now, Mr. Chairman, if your average movement of a car is reduced to 20 miles a day, it reduces the efficiency of the railroads to that extent; and any condition, whether it is a strike or snowstorm, or floods, or lack of efficiency on the part of the workmen, any condition which reduces the daily average of miles which your car moves during the year reduces your potential traffic moving possibilities to exactly that extent. If you tie your railroads up for two or three weeks, you have lost that much out of a year.

Mr. COOPER. Does your State law in Kansas apply to any man engaged in interstate commerce?

Mr. REED. It does.

Mr. SHORTHILL. Mr. Chairman, we have a gentleman from Iowa, who is a farmer and is engaged in the production of live stock. Now, this proposition is not a grain proposition exclusively. This conference to which I have referred has gone into the matter fully, and we believe that anything that solves this problem must solve the whole thing and not one section of it.

Now, I would like to have this gentleman say a few words to you and to show you just how this condition has been changed within the last few years, whether getting better or getting worse, in the handling of live stock. Mr. Sykes will now make a brief statement.

STATEMENT OF MR. A. SYKES, IDA GROVE, IOWA, PRESIDENT OF THE CORN BELT MEAT PRODUCERS' ASSOCIATION.

The CHAIRMAN. Please give your name and address for the record.

Mr. SYKES. My name is A. Sykes; address, Ida Grove, Iowa. I am president of the Corn Belt Meat Producers' Association and member of the marketing and transportation committee of the Farm Bureau Federation and the Corn Belt Meat Producers' Association, in charge of live-stock service.

Mr. Chairman and gentlemen of the committee, I might say for your information that I have been a kind of trouble man for the farmers of the corn belt, especially the stockmen, for the last 12 years. I have been president of this organization for 12 years, and as such officer it has been my duty to look after the general condition of the live-stock service especially. Now, I am not going to refer to the grain men at all. I think their side has been very well taken care of. I am a farmer and feeder myself, and have been all my life—produce beef cattle and hogs in the State of Iowa.

I represent about 125,000 farmers; that is, the two organiaztions have a membership of about 125,000 farmers and stockmen in the corn belt.

This condition has gradually grown worse since the winter of 1915 and 1916, so far as it pertains and relates to the live-stock industry. The situation the past year has been by far worse than it ever was before, so far as procuring live-stock cars is concerned for the shipment of live stock.

Now, live stock, as you gentlemen know if you come from the live-stock section or the corn-belt section, is a perishable commodity, to a very large extent; if it is not marketed about the right time, then it begins to perish or lose; and not only do we lose by death, by sickness, by overfeeding, by the stock becoming over-fat, and breaking down, but amongst hogs especially we have pneumonia set in, and other diseases that are especially prevalent among fat hogs, and we lose them.

It is no uncommon thing, from my knowledge, for the live-stock business in the corn belt to be from 30 to 90 days behind in the movement to market.

Mr. SWEET. What is your suggestion at the present time as to the amount of live stock in the country, especially in Iowa, that is ready for the market and cars for it are not obtainable?

Mr. SYKES. Now, I do not want to dwell on the present situation at all, because I realize that this committee can not do anything for us on the present situation. We are going to apply this afternoon to the people that we believe can help us out of the present situation.

But what we want you people to do, what we want Congress to do, and what we want this committee to do, is to provide relief for the future. That is what we are here before you gentlemen for. You can not order these railroads to send us cars for immediate relief; the Interstate Commerce Commission can do that; and we are going there this afternoon with our complaint. And it is to you people that we are making the appeal for relief for the future, in order that these conditions shall not prevail and grow worse in the future. That is what we want.

The CHAIRMAN. What is your suggestion?

Mr. SWEET. Yes; I was going to ask, What is your suggestion about that?

Mr. SYKES. My suggestion is, and the suggestion of the conference held at the Willard Hotel, representing all of these various interests, was that Congress must appropriate more money in the revolving fund, if the railroads can not provide that money themselves. Now, there is the crux of the whole question. If the railroads can not pro-

vide this money to buy this additional equipment, which consists of engines and cars—it is not cars alone, gentlemen, that are needed—what is the use of building more cars if they have not the engines to move the cars they already have?

The CHAIRMAN. Yes; they need 20,000 more locomotives; there is no doubt about that.

Mr. SYKES. Yes, sir; they need more locomotives; they must have more locomotives. Now, we unanimously agreed at a conference that this revolving fund ought to be doubled, or increased to $600,000,000, if the railroads are unable to provide that fund; and that the United States Government should loan that money to the railroads for the purpose of buying equipment or rolling stock—whatever you see fit to call it—that shall go into the service to move this live stock, and grain, and other products. As Mr. Shorthill has said, you can not separate one from the other; but we are here representing our various interests.

Now, there is the situation, gentlemen, and that is our plan for relief. If this committee has something better, if our plan is not feasible, if it does not seem to be the right plan, if it does not seem to be the plan that should be adopted, will you please adopt one that will give us relief? That is all we ask for—relief for the future. We know that you can not, as I have already said, give us relief through an emergency measure at the present time, but what we want is for the railroads to be provided with more equipment so that this congestion will not increase.

Mr. JONES. May I ask you a question?

Mr. SYKES. Yes, sir.

Mr. JONES. Have you asked the officials of the various railroads themselves as to what they can do in the way of providing more equipment?

Mr. SYKES. I have had that up with them frequently.

Mr. JONES. What do they say as to supplying additional rolling stock and equipment?

Mr. SYKES. Many of them say that they simply can not buy, as they have not got the money; some of the stronger roads have told me that they will try to finance new equipment. Some of the weaker roads come right out and say that they can not finance loans for new equipment.

Mr. MERRIAM. Mr. Chairman, may I ask Mr. Sykes a question?

The CHAIRMAN. Yes; but please give your name and state whom you represent.

Mr. MERRIAM. My name is Ralph Merriam, of Chicago, representing the American Farmers' and Grain Dealers' Association as counsel.

Do you think, Mr. Sykes, that if Congress should decide to make an additional loan to the railroads it should be limited to the purchase of equipment?

Mr. SYKES. Absolutely. It should be confined and limited entirely to the purchase of additional equipment and for the movement of freight.

The CHAIRMAN. When we put in the $300,000,000 in the transportation act it was done primarily by this committee. There was no like provision in the Senate bill, but the Senate indorsed the House proposition. We were largely persuaded to do so by the Director of Finance and Mr. Shirley, of the United States Railroad Administration, who suggested a revolving fund to take care of maturities, and I think the estimated maturities for the current year were something like $220,000,000, and for next year, possibly, $300,000,000. Now, it develops that the more urgent need is for equipment rather than taking care of maturities.

Mr. SYKES. Absolutely. I think you are right.

The CHAIRMAN. But there is nothing in the law that prohibits the Secretary of the Treasury and the Interstate Commerce Commission alloting the greater portion of this $300,000,000 for equipment and not for maturities.

Another thought was that while we did not raise more than $300,000,000, if the Government created a loaning fund of $300,000,000 at 6 per cent, there might be banks that would be willing to make the loans at the same rates.

Mr. JONES. I want to finish my interrogation, Mr. Chairman.

Of course, it is to the interest of these various railroads to have such rolling stock on their respective roads to meet the needs of the people, the manufacturers, and diversified interests along the lines of the road. Have they expressed their willingness to borrow the money from the Government to buy this additional rolling stock in case the fund is made available for this purpose?

Mr. SYKES. I have never interrogated them directly on that question.

Mr. JONES. They would have the interest to pay, with the chance of the rolling stock being used on the roads, and we could not force them, perhaps, to borrow this money. I wonder, if the fund is made available, how many roads do you think would accept the charges of borrowing money and building this additional rolling stock?

Mr. SYKES. Of course I am not in a position to answer that question, but I think that could be very easily ascertained by this committee. That is my judgment.

Mr. SIMS. May I ask you this, Mr. Sykes: You know, as a matter of course, that if we authorized the use of this revolving fund, which might be very wise as a general proposition, that it has got to come out of the taxpayers; the Government has no surplus on hand. Taxes are already at the sky line, with a great demand for additional recognition for the ex-service men; and now these railroads and corporations that are operating privately, don't you think they ought to make some effort and strain their own credit to get this equipment if they are to get all the profits of it? Of course, the country is to get the benefit from it, and I fully appreciate what you say, that they need it, and if they don't get it otherwise, something will have to be done.

Mr. SYKES. I think you are perfectly right that they should strain every resource, make every effort, but then, after that, the Government should take the matter in hand—or the Congress.

Now, as to its coming out of the tax payers, who is it coming out of as it is under present conditions—the loss I mean? Here are we fellows out in the corn belt, and on account of this delayed condition, delaying our stock from 30 to 60 days in marketing it, we lose anywhere from $100 to $500 on a car of cattle or hogs in getting them to market. We are certainly paying the bill. We would rather pay

it in the form of taxes to furnish the railroad companies—that is, furnish the Government the funds to loan to the railroad companies to buy the equipment necessary to move our stock to market when it is ready, instead of holding it on the farm, where it only reduces the supply of food to the consumer and necessarily increases the price to him and creates a heavy loss on the producer, which we can not get out from under. Whenever we order a car or a number of cars for stock, and those cars are delayed in delivery over 10 days, then the loss begins, and the longer they are delayed the heavier the loss. That is the situation until if it runs up to 30 or 60 days it becomes enormous. You gentlemen possibly don't realize the tremendous loss that the stockmen are called on to sustain on account of delayed delivery of cars so they can ship their fat stock to the market when fat. It is simply enormous. It is appalling. According to estimates now secured through the farm bureau in Iowa there is about $100,000,000 worth of farm products, mostly live stock, on the farms of Iowa to-day delayed and long past due for marketing.

Mr. SIMS. And it will eventually result in reducing live-stock production.

Mr. SYKES. Absolutely. There is the thing I was coming to. It will simply discourage the live-stock man and he will simply say "I am going to stay out of the game if I can not market my stuff when it is ready for market. I can't take this loss continually." Now there is the situation, gentlemen. It is a condition that is going to react on this Nation as a nation, on the food products of this Nation. It is bound to. We can not spend what little money we have made in hard knocks in our lifetime; we can not afford to pour that continually into this channel in the form of a loss in producing meat animals to feed the citizens of this country, and the result is that we will not do it; we will simply quit. Now you can find dissatisfaction and an inclination to quit all over the country. Why, gentlemen of the committee, I am here to tell you that it is no uncommon thing for me to find that on many divisions of railroads in the corn belt the shortage of cars—that is, delayed orders—runs from 500 to 700 stock cars, just for one division. And many of those have been delayed for 60 days, and in extreme cases 90 days that the orders have not been filled.

Now, just think of it for a moment. A man after his stock is ready to ship, fat and ready to go to market, he is compelled, because he can not secure cars, proper equipment to market that stuff, to feed those animals on corn selling for $1.50 a bushel 30 to 60 days longer that he secures practically nothing at all for. Now, after an animal becomes so fat they cease to take on, to any extent—they cease to gain. Not only that, then disease, as I have already explained to you, sets in. The hogs break down; they take pneumonia. Heavy fat cattle get certain diseases. Not only that, the fatter they get, the heavier they get, the more they discriminate against us when they get to market. They don't want those big fat animals, as you men know if you have been in touch with the market papers, that they are the cheapest animals on the market; that is, considering quality. The fatter they get, the less we get in proportion for them, and then that increases our loss more. Now, there is the situation.

Now then, the question is, Can this committee give us relief that we can look into the future as producers of beef animals and pork, and

say that if we go on as we have in the past—that is, as we did, well, say prior to the war—and produce our animals, and when we get them ready for market that we can order a car and expect to have it anyway inside of a week's time to market our stock?

Now, gentlemen, we can't do that unless conditions are changed. There is no use in talking about that. Have we got to endure this situation that we have been up against for the last four years and go on and produce this fat stock, at the same time knowing that we will probably after that stock is ready for market, we will possibly have to feed it 30 or 60 or 90 days beyond the time it should be marketed, simply because the railroads say to you, "There aren't any cars; we can't furnish any cars"?

Mr. SIMS. Can you see how it is possible for this Government to pay the enormous public debt it owes without having high prices for farm products as a general rule—all of it, indeed, fat cattle and everything else?

Mr. SYKES. No, sir; I agree with you that live stock has got to sell at a good price, or else other commodities have got to be reduced.

Mr. SIMS. And, therefore, maintaining prices of farm products is a national benefit and not simply a local benefit.

Mr. SYKES. Yes, sir. But as I said, the producers of the Middle West would far rather pay to this Government increased taxes to provide equipment that will give us service to market our stock and our grain than we would to lose it in the way that we have lost it for the last three or four years, and we would be hundreds and thousands of dollars ahead in the end. That is the situation.

Now, I know the time is limited. I can not go into this in the way that I would like to do and present it to you gentlemen, but I do beg of you as a committee to consider this thing seriously, because it is a serious situation. You men that come from the producing sections of the country certainly know that, that it is a most serious situation that is confronting us concerning the transportation facilities of this country, and something must be done; if the railroads can't do it themselves, then they must be assisted by Congress, and I am here to tell you that the taxpayers will stand back of you—the producers. These people in town may kick; I don't know anything about that, but they will kick also if they don't have anything to eat. I can tell you that. If we are compelled to shut off the production of meat animals in this country you will see the greatest roar go up over this country that ever went up. And we will only be forced to do that because we can't market our animals and recoup ourselves. That is the only reason. We want to stay in the business; we want to conserve the fertility of our soil; we want to hand it on to future generations in a better state than we received it. That is our intention; that is our desire, but if we are forced to quit the business you know there is no other way to maintain the fertility of our soil in the Middle West only through the live-stock business.

Mr. SIMS. And then insufficient nourishment brings disease and death.

Mr. SYKES. Yes, sir.

Mr. SIMS. And none but the farmers can furnish the means of sufficient nourishment to the people.

Mr. SYKES. Absolutely. There is nobody else to do it. It belongs to the Middle West to feed this great Nation, as a general proposition, and especially is this true in regard to the meat foods of this country. You all know that.

I thank you, gentlemen.

Mr. SHORTHILL. Mr. McDougall, in just a word, will say something to you on the nature of the shortage of equipment and the securing of that equipment. There has been a suggestion of that that has not been answered.

STATEMENT OF MR. E. D. McDOUGALL, OF THE CHICAGO BOARD OF TRADE, CHICAGO, ILL.

Mr. MCDOUGALL. I represent the Chicago Board of Trade, Chicago, Ill. I am also engaged in the grain business. I buy grain from farmers at country elevators; I buy grain from others at country elevators; I buy grain at terminal markets, and I sell grain in a large way, both for domestic and foreign commerce.

I will stick briefly to this subject, because I have but a few minutes, and I know you have been very generous with your time and can not give us much more.

The American Railway Association shows that there is an actual car shortage in this country of something like a quarter of a million cars, without giving any consideration whatever to the increased volume of traffic of the past four or five years. Some of those men identified with the railroads estimate that shortage to be approximately 450,000 cars; some others as three-quarters of a million. But we will say, in order that we may expedite this particular point that I wish to make, the shortage is approximately a quarter of a million cars.

I understand that under the Esch Act providing a revolving fund of $300,000,000 only a portion of it is available for the rehabilitation of the equipment and motive power of the railroads, but if the entire amount were made available it would not buy 100,000 cars, and therefore this committee who are approaching the Interstate Commerce Commission—and we know what authority they have—our purpose is on this occasion to try to show you that the appropriation under the Esch Act is totally inadequate, for if $300,000,000 will buy but 100,000 box cars or less, and if there is an actual shortage of two or three times that amount in the country, then it stands to reason that this appropriation should be increased to such a point that it will make possible the rehabilitation of the railroads in the shortest space of time possible. I don't mean to say that that appropriation should be increased or doubled or trebled with a view of turning it without some limitations, but I believe that if it were made twice the present amount and such a portion of that amount as was necessary to rehibilitate the roads of the country in the shortest space of time possible, I believe it would have a very beneficial effect and provide for the future. That is the reason why we appear before you. I think we understand the reluctance with which you approach these appropriations. The disposition on the part of the American people to criticize the lavish expenditure of money at Washington, just or otherwise, has made you all the more cautious, but, notwithstanding that fact, the American people would stand behind you now on this movement

if you saw your way clear to increase this appropriation, because the very vital interests of the country are at stake.

The Agricultural Department, Mr. Meredith's department, published as of March 1 a statement showing that there were 275,000,000 bushels more wheat and corn on the farm than for the corresponding period a year ago. Last December a committee appeared in this city before the Railroad Administration, calling attention to the lack of facilities for the movement of grain, which at that time the farmer was perfectly willing to sell; he was perfectly contented with the price; he had a large surplus and he wanted to market it because that was the logical time to market it, and Mr. Hines's committee was informed—or I mean to say that the Railroad Administration was informed—that if they did not immediately appropriate such proportion of the transportation facilities of the country as were necessary to move that crop at that time, that this spring you would see an advance in the markets of 50 cents a bushel on corn, the same amount on wheat and rye, and a corresponding advance on oats. And that prediction has been fulfilled not because of any scarcity of food products, not because they were not superabundant in the country, but simply because of the lack of transportation facilities which were not available. Now, to get this 275,000,000 bushels of grain off the farm, which will be what we style the early summer old-crop movement, before the harvest of the new crop progresses, it will be necessary to immediately supply transportation facilities.

That is why we are going to appeal to the commission for the enforcement of this 100 per cent order. That simply means in common, everyday phraseology that under that ruling there will be a certain amount of the transportation facilities of the country available for the movement of farm products and food products, and without that we will be in a vastly worse shape than we were before.

Now, we think that if you have this appropriation doubled and controlled, making such proportion of it available as is necessary to rehabilitate the roads, as I have already said, in the shortest space of time possible, you will have the unqualified indorsement of not only your constituents but of the whole country.

I believe that is all I have to say.

Mr. SHORTHILL. Mr. Chairman, as chairman of the conference I want to indorse what Mr. McDougall has just said. The attitude of the conference was unanimous that the provision for the purchase of motive power and freight cars was not sufficiently provided for by the Government at the present time; that the need is urgent and could not be taken care of by an increase in freight rates, because that could do no good except in time to order cars for another year later probably. For the additional reason that the weaker roads who have no credit to place orders at this time might be placed in such a position that if they did get the credit later on they would find the capacity of the shops and factories taken up by the larger roads with their orders and that the crux of this car shortage and shortage in motive power would still be the same as it is now, because the weak point would not be strengthened. We feel this money ought to be made available at the earliest possible moment for that reason.

I will have difficulty in expressing to you, Mr. Chairman, the appreciation of our committee for the considerate action of the Committee on Interstate and Foreign Commerce in going out of your natural order and kindly condescending to listen to what we have to say on this matter, and we trust and know that you will give it your very careful consideration.

The CHAIRMAN. The committee is very much obliged to you and to those who came here. The information which they have imparted to the committee has been very valuable to us.

The committee will now recess until Friday morning.

(Whereupon, at 12.35 o'clock p. m., the committee recessed until 10.30 o'clock a. m., Friday, May 7, 1920.)

MSH # 21945

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TITLE